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Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 31, 1942

OFFICERS

Geo. A. Hormel - - - - - Chairman of the Board
Jay C. Hormel - - - - - President
H. H. Corey - - - Vice President & General Manager
R. H. Daigneau - - - - - Vice President
Park Dougherty - - - - - Vice President
R. F. Gray - - - - - Vice President
J. L. Olson - - - - - Vice President
C. D. Bigelow - - - - - Secretary
M. F. Dugan - - - - - Treasurer



DIRECTORS

S. D. Catherwood
H. H. Corey
R. H. Daigneau
Park Dougherty
M. F. Dugan
R. D. Gower
John P. Higgins
T. H. Hocker
Geo. A. Hormel
Jay C. Hormel
O. W. O'Berg
L. E. Wakefield

Austin, Minnesota
November 27, 1942

To the Stockholders of
Geo. A. Hormel & Company

The business of Geo. A. Hormel & Company has closed its fifty-first fiscal year. The earnings statement and balance sheet of this company for that year, ended October 31, 1942, is submitted herewith.

The total sales of products for the year amounted to 576,865,443 pounds, which was an increase of 86,436,215 pounds, or about 17.6 per cent over a year ago. In dollars, net sales amounted to \$119,430,789.46 an increase of \$44,832,156.32 or about 60 per cent over last year, due largely to increased price levels.

Because of the materially increased hog population in our territory our annual hog slaughter was increased by 38 per cent, to a new all-time high of 1,665,570 head.

The tonnage of sheep, calves and cattle was approximately the same as for the two previous years.

The net worth of the company now stands at \$12,925,378.77. Net current assets are \$7,353,312.54. The ratio of current assets to current liabilities is 2.91 to 1.

The company continues to price its inventory at the lower of cost or market, as has been its custom in the past. All known bad debts have been charged off in full. Loss on capital assets scrapped or disposed of has been charged off in full. \$596,712.32 has been charged off for depreciation on plant and equipment. The balance sheet carries substantial reserves. All taxes have been provided for, including Social Security accruals. In spite of a pay roll which has increased \$2,843,773.91 over two years ago, that part of Social Security taxes which applies to unemployment was \$98,882.49 less than at that time. Almost all of this saving is accounted for by the lesser rate imposed under the experience rating provisions which came into effect during 1941, and under which the company quali-

fies for a low rate because of the straight time plan, which provides continuous and regular employment.

During the past year it has been necessary for the company to employ a total of 1,913 new people. 854 additional persons have been put on the pay roll, 826 have been employed to replace Hormel men going into the armed services, and the balance, 233, represent labor turn-over which, because of war-time conditions, has occurred at more than double its usual rate.

Because of war-time restrictions, there has been no major building program. Most of the new facilities which were purchased during the year represented replacements, or adaptations of existing equipment to the needs of war-time production.

The plant and facilities of Geo. A. Hormel & Company have been used freely to supply the needs of Army, Navy, Marine Corps and Lend-Lease. It was in our plant that a number of new products were developed for Army rations and for shipment to our Allies.

The blue Minute Man flag which flies at the entrance to the plant was awarded by the Treasury Department because more than 90 per cent of the company's employees are making regular purchases of war bonds.

The average weekly earnings of these same employees amounted to \$37.13 per week which is \$5.94 per week more than the national average for packing house workers, as published by The Conference Board.

Further increases in the production of live stock, and war-time demand for live stock products, have caused the company to prepare to increase further the volume of its production during the coming year. At the same time, the company is undertaking to do a comprehensive job of post-war planning, in order that we will be prepared to convert back to peace-time production, and that we may, if possible, maintain post-war jobs for the 854 new people who have been added to our pay roll, and, at the same time, return to their normal places those men who are in the armed services.

JAY C. HORMEL
President

ACCOUNTANTS' REPORT

To the Board of Directors,
Geo. A. Hormel & Company.

We have examined the consolidated balance sheet of Geo. A. Hormel & Company and its subsidiary as of October 31, 1942, and the consolidated statements of profit and loss and surplus for the fifty-three weeks then ended, have reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We made tests of trade account receivable balances by direct correspondence with selected debtors during the latter part of the year. We also reviewed the inventory records and pricing and were present at the main plant and at certain branches at the time of inventory taking, observed the procedure followed in determining quantities and made test counts of such quantities.

In our opinion, the accompanying balance sheet and related summaries of profit and loss and surplus present fairly the consolidated position of Geo. A. Hormel & Company and its subsidiary at October 31, 1942, and the consolidated results of their operations for the fifty-three weeks, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 23, 1942

CONSOLIDATED

Geo. A. Hormel & Company -

October

CURRENT ASSETS ----- \$11,196,370.01

Cash ----- \$ 2,821,978.21

Trade accounts receivable, less re-
serve of \$100,000 ----- 3,808,443.43

Inventories:

Products - priced on the basis of
the lower of year-end market or
accumulated cost (i. e., market at
date of production) ----- \$3,324,478.46

Livestock and supplies - at the lower
of cost or market ----- 1,241,469.91 4,565,948.37
----- \$11,196,370.01

INVESTMENTS AND OTHER ASSETS 78,238.34

Properties not used in operations, at
cost less reserves for depreciation of
\$17,147.09 ----- \$ 49,431.34

Sundry securities, notes, and ac-
counts, less reserve of \$45,000 --- 21,565.90

Notes, accounts, and stock purchase
contracts receivable from employees 4,541.10

Notes receivable from officers and
director of subsidiary company --- 2,700.00
----- \$ 78,238.34

PROPERTY, PLANT, AND EQUIPMENT 5,547,178.44

	COST	RESERVES	NET BALANCE
Land -----	\$ 139,343.28	\$ —o—	\$ 139,343.28
Buildings -----	5,392,110.28	1,520,221.39	3,871,888.89
Machinery and equipment -----	3,248,695.57	2,089,827.36	1,158,868.21
Leasehold improvements ---	209,358.75	89,182.07	120,176.68
	<u>\$8,989,507.88</u>	<u>\$3,699,230.82</u>	<u>\$ 5,290,277.06</u>

Movable equipment - inventory basis 256,901.38
----- \$ 5,547,178.44

PREPAID - supply inventories, prepaid insurance, etc. 313,522.25

\$17,135,309.04

BALANCE SHEET

Austin, Minnesota, and Subsidiary

31, 1942

CURRENT LIABILITIES -----		\$ 3,843,057.47
Accounts payable, pay rolls, bonuses, and other accrued expenses -----	\$ 2,138,266.61	
Dividends - payable November 16, 1942 ----	254,181.00	
Taxes - local, social security, and federal capital stock taxes -----	356,359.86	
Federal and state taxes on income of the fifty- three weeks ended October 31, 1942, and prior years - estimated -----	1,094,250.00	
	<u>\$ 3,843,057.47</u>	
RESERVE - for possible tax and other adjust- ments -----		350,000.00
MINORITY INTEREST - in capital stock and surplus of subsidiary -----		16,872.80
CAPITAL STOCK AND SURPLUS -----		12,925,378.77
Preferred stock, cumulative, par value \$100: Authorized - 48,935 shares Issued - Series A, 6% (callable at \$105) -----	14,554 shares	\$ 1,455,400.00
In treasury -----	100 shares	10,000.00
Outstanding -----	14,454 shares	\$ 1,445,400.00
Common stock, no par value: Authorized - 500,000 shares Issued -----	493,944 shares	\$ 6,116,585.81
In treasury -----	28,944 shares	358,413.56
Outstanding -----	465,000 shares	\$ 5,758,172.25
Surplus (consists of earned surplus of pre- decessor corporation, plus undistributed earned surplus of present corporation since October 29, 1928, date of incorporation, under Delaware law) -----		5,721,806.52
		<u>\$12,925,378.77</u>

Contingent liabilities \$3,427.02

\$17,135,309.04

PROFIT AND LOSS SUMMARY

Geo. A. Hormel & Company - Austin, Minnesota and Subsidiary

Fifty-three Weeks Ended October 31, 1942

Net sales -----		\$119,430,789.46
Deduct:		
Cost of products sold; selling, administrative and general expenses, exclusive of depreciation and amortization -----	\$115,951,036.46	
Provision for depreciation and amortization of leasehold improvements -----	596,712.32	
Interest paid -----	\$71,829.29	
Capital losses, bad debts, etc. 78,519.25	150,348.54	
	<u>\$116,698,097.32</u>	
Less other income -----	26,975.06	116,671,122.26
	PROFIT BEFORE TAXES ON INCOME \$	2,759,667.20
Taxes on income:		
Provision for the year - estimated:		
Federal normal income tax and surtax -----	\$1,003,950.00	
State income taxes -----	70,300.00	\$ 1,074,250.00
Less excess provision for prior year -----	12,380.99	1,061.869.01
	PROFIT BEFORE SPECIAL RESERVE \$	1,697,798.19
Provision for possible tax and other adjustments -----		350,000.00
	NET PROFIT	<u>\$ 1,347,798.19</u>

SURPLUS SUMMARY

Geo. A. Hormel & Company - Austin, Minnesota and Subsidiary

Fifty-three Weeks Ended October 31, 1942

SURPLUS - October 25, 1941 ----- \$4,986,369.51

Add:

Net profit for the year ----- \$1,347,798.19

Contingency and other reserves restored
to surplus ----- 338,849.16

Adjustment of reserves for depreciation
on movable equipment for prior years to
inventory basis ----- 65,513.66 1,752,161.01
\$6,738,530.52

Deduct dividends:

On preferred stock - \$6 per share ----- \$ 86,724.00

On common stock - \$2 per share ----- 930,000.00 1,016,724.00

SURPLUS - OCTOBER 31, 1942 \$5,721,806.52

How the war has affected our Packing Division

Total meat production this year is greatest in the history of the nation. Likewise, the total meat production of Geo. A. Hormel & Co. is greater than ever before.

However, to provide the tremendous supplies of meat required for war needs, it has been necessary to limit the amount of meat each packer may sell to the regular civilian trade.

The Army and Navy food needs come first and each day large shipments of fresh and cured meats go forward to our fighting men. This means that our domestic meat wholesalers and retailers will receive reduced quantities of Hormel products. Consumers will be compelled to restrict their purchases of the cuts needed for Government requirements and to use, instead, those meats which are more freely available. But, despite the war demands and meat rationing, the better known Hormel products listed below will continue to appear in considerable quantities in the markets of the country:

HORMEL BRANDED LAMB

Best	Merit	Value
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HORMEL BRANDED BEEF

Best	Merit	Value	Hormel
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HORMEL PORK PRODUCTS

HAM AND BACON —

Delicut Ham	Minnesota Slab Bacon
Dairy Baked Ham	Dairy Sliced Bacon
Dairy Boiled Ham	Minnesota Sliced Bacon
Dairy Roast Ham	

SAUSAGE —

Dairy Braunschweiger	Dairy Liver Cheese
Minnesota Liver Sausage	Minnesota Baked Luncheon Loaves
Minnesota Fresh Country Style Pure Pork Sausage	
Minnesota Smoked Country Style Pure Pork Sausage	

MISCELLANEOUS —

Minnesota Lard	Pickled Pigs Feet in Glass
Full line of all Fresh Pork Cuts	

DRY SAUSAGE —

National Salami	Dairy Goteborg
DiLusso Genoa	Rosa Pepperoni
Capicola	Cedar Cervelat
Austin Salami	Thuringer

How the war has affected our Flavor-Sealed Division

Shortage of tin has imposed drastic restrictions on the manufacture of canned meats. In Hormel's case, lack of tin cans stopped production of many Flavor-Sealed canned items. From 41 products, all well established in their fields, we have been reduced to 7 for domestic distribution. Great quantities of SPAM, Luncheon Meat, Sausages, Bacon, special troop rations, etc., are being manufactured by this company for the Army and Navy. As yet, there is plenty of SPAM available but increasing Government purchases of this favorite meat may eventually cause a shortage for civilian use.

While our manufacturing lines are chiefly devoted to the canning of Army and Navy Meats, the Flavor-Sealed Division is busy developing new products. When the war is over, many new products, as well as the old favorites listed below, will be back on the grocers' shelves:

STILL AVAILABLE

SPAM	12 oz. Spiced Ham	12 oz. Tongue
6 lb. Tongue	6 lb. Luncheon Meat	6 lb. Chopped Ham
	6 lb. Spiced Ham	

BACK AFTER VICTORY

HORMEL FLAVOR-SEALED

Chili Con Carne	Cocktail Sausage
Ham	Wieners in Brine
Chicken	Corned Beef Hash
Chicken a la King	Breakfast Sausage

SOUPS —

Vegetable
Vegetable Beef
Pea
Chicken Noodle
Chicken Broth
Consomme' Madrilene
Beef Consomme'
French Style Onion

SPREADS —

Ham
Liver
Tongue

DINTY MOORE —

Beef Stew
Spaghetti with Meat Balls
Ox Joints in Gravy
Irish Stew
Corned Beef and Cabbage

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